



# ADVISOR



TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL

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SERVING OVER 300,000 MEMBERS

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## Mobile's Battle House

The RSA is very proud of its seven hotels and resorts. Alabama and the RSA have received national and international acclaim for its Marriott hotels and resorts in the Shoals, Hoover, Point Clear, Prattville, and Opelika. The Renaissance Ross Bridge Golf Resort & Spa has performed beyond our wildest expectations. In May, The Battle House, A Renaissance Hotel in Mobile, opened. Once the upgrade to the Riverview Plaza is finished this summer or early fall, it and the Battle House will make up part of the Renaissance Center in Mobile.



The Battle House first opened in 1852 but was destroyed by fire in 1905. The hotel was soon reconstructed by a New Yorker, who brought the best in world architecture to Mobile, and reopened in 1908. The Battle House closed in 1974 and was vacant until the RSA reopened it in May. The entire cost of the project was \$220 million. Rave reviews have declared that The Battle House lobby and dining rooms are even "more special" than the Plaza or Waldorf Astoria in New York City. The historic hotel is connected to the new 35-story RSA Battle House Tower.

Our eighth project, The Renaissance Montgomery Hotel & Spa project, includes a civic center upgrade and performing arts theater. It is scheduled for completion in January 2008.

We encourage you to visit your investments and especially to enjoy the RSA member discounts when available. Dates and rates will only be advertised in the *Advisor*.

## Pension Costs are Going Up

By David G. Bronner

The RSA's actuary has informed us that pension costs will increase in 2009. The 2001 and 2002 bad investment years are almost behind us after the five-year smoothing period as is the delay between actuarial and budget years of gains or losses regarding the funds' investments. The five-year actuarial study reveals the reasons for greater taxpayer costs: large unfunded benefit increases (18% retiree Cost-of-Living Adjustments [COLAs] from 2000-2006), significantly more members retiring early, and members living longer.

To run at top speed in sports, politics, or real life and then be called "average" is not much of an acknowledgment. During my first two decades at the RSA, the staff and Boards of Control worked diligently to obtain great returns which resulted in moving the funding ratio from 25% to over 100%. That was a special feat in itself.

In reality, any investment by the RSA in Alabama makes it difficult for the staff to perform above average in total investment returns. Almost every investment the RSA makes in Alabama must be offset by another excellent investment just to be average. Two illustrations follow to help clarify why this is true. One, RSA's first class hotels in Alabama provide an average rate of about \$200 a night. These same hotels in selected cities in the United States or around the world would easily provide a \$400-\$500 a night room rate. Two, RSA's office buildings in Alabama provide rental income in the high teens or low \$20s per square foot, whereas "55 Water Street" in New York City provides the RSA with \$51 per square foot in rental income.

The RSA tries very hard to make a few important investments in Alabama that will specifically affect and benefit the entire state. Yet each investment requires the RSA to outperform its peers in order to remain average. Having said that, as of right now, our investment performance appears to be above average for the fiscal year ending on September 30, 2007. However, there are still a couple of months to go.

When the financial bubble burst in 2001 and 2002, investment returns around the country went tumbling. At the same time, there was constant pressure to increase retiree benefits mainly by the Legislature granting COLAs that added billions to the cost of the program. From 2000 to 2006, 18% in COLAs were added and cost the state over \$3.2 billion. This knocked the funding ratio down to its current level of 83%.

When our actuary delivered his "5-Year Study" at the last TRS and ERS Boards of Control meetings, the news was simply not good. Our members are retiring earlier and living longer than projected five years ago. Therefore, the actuary has recommended and the Boards have approved new assumptions that will require at least 68 million additional dollars to be funded by the Legislature in 2008 for the 2009 budget. The TRS rate will increase by .78% of payroll, while the ERS rate will increase by 1.43% of payroll. This means at least an additional \$49 plus million for the TRS and \$18 plus million for the ERS on top of the estimated employer costs for the 2008 budget of \$657 million for the TRS and \$146 million for the ERS.

# The Mexican Border Wall

Source: *National Geographic*

“**B**orders everywhere attract violence, violence prompts fences, ... and eventually fences can mutate into walls... They flow from two sources: fear and the desire for control....”

Now as the United States debates fortifying its border with Mexico, walls have a new vogue. At various spots along the dusty, 1,952-mile boundary, fences, walls, and vehicle barriers have been constructed since the 1990s to slow the surge in illegal immigration....

The boundary between Mexico and the United States has always been zealously insisted upon by both countries. But initially Mexicans moved north at will. The U.S. patrols of the border that began in 1904 were mainly to keep out illegal Asian immigrants. Almost 900,000 Mexicans legally entered the United States to flee the violence of the revolution. Low population in both nations and the need for labor in the American Southwest made this migration a non-event for decades. The flow of illegal immigrants exploded after the passage of the North American Free Trade Agreement in the early 1990s, a pact that was supposed to end illegal immigration but wound up dislocating millions of Mexican peasant farmers and many small industrial workers....

Walls are curious statements of human needs. Sometimes they are built to keep restive populations from fleeing. The Berlin Wall was designed to keep citizens

from escaping from communist East Germany. But most walls are for keeping people out. They all work for a while, until human appetites or sheer numbers overwhelm them. The Great Wall of China, built mostly after the mid-14th century, kept northern tribes at bay until the Manchu conquered China in the 17th



century. Hadrian's Wall, standing about 15 feet high, 9 feet wide, and 73 miles long, kept the crazed tribes of what is now Scotland from running amok in Roman Britain—from A.D. 122 until it was overrun in 367. Then you have the Maginot Line, a series of connected forts built by France after World War I to keep the German army from invading. It was a success, except for one flaw: The troops of the Third Reich simply went around its northwestern end and invaded France through the Netherlands and Belgium....

Perhaps the closest thing to the wall going up on the U.S.-Mexico border is the separation wall being built by Israel in the West Bank. Like the new American wall, it is designed to control the movement of people, but it faces the problem of all

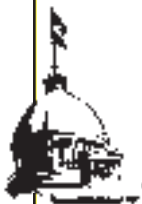
walls—rockets can go over it, tunnels can go under it. It offends people, it comforts people, it fails to deliver security. And it keeps expanding....

Dan Duley, 50, operates heavy equipment and is a native of the Naco area. He was living in Germany after serving in the Air Force when the Berlin Wall came down, and he thought that was a fine thing. But here he figures something had to be done. “We need help,” he says. “We’re being invaded. They’ve taken away our jobs, our security. I’m just a blue-collar man living in a small town. And I just wish the government cared about a man who was blue.”

But then, as in many conversations on the border, the rhetoric calms down. Duley, along with many other Naco residents, believes the real solution has to be economic, that jobs must be created in Mexico. There is an iron law on the border: The closer one gets to the line, the more rational the talk becomes because everyone has personal ties to people on the other side. Everyone realizes the wall is a police solution to an economic problem. The Mexicans will go over it, or try to tear holes in it. Or, as is often the case, enter legally with temporary visiting papers and then melt into American communities. Of the millions of illegal immigrants living in the United States, few would have come if there wasn’t a job waiting for them....

## Legislative Update

By Lindy J. Beale, Legislative Counsel



**T**he 2007 Regular Session of the Alabama Legislature ended in a very contentious manner. Among the few bills that have been signed by the Governor are the General Fund and Education Trust Fund Budgets, active education and state employees’ Cost-of-Living Adjustments, and a one-time, funded bonus to retirees to be paid in December.

While not a productive session overall, the TRS, ERS, and PEEHIP were funded at the requested rates. Be sure to thank your Senators and Representatives!

## TRS Board Election Notice

**C**andidates are currently being sought for the Superintendent Position and the Retired Position No. 2 for the TRS Board of Control. Applicants must submit completed nomination petitions by 4:00 p.m. September 5, 2007, to be eligible. Nomination packets are available on our Web site at [www.rsa.state.al.us](http://www.rsa.state.al.us) or contact the Elections Coordinator at 1-800-214-2158, extension 1573. The Regular Election will take place in October 2007. The Superintendent Position is currently held by Dr. Terry Jenkins and the Retired Position No. 2 by Mrs. Sallie Cook.

# Thank Your Associations

Editorial

Education and state employees have organizations dedicated to protecting the fringe benefits of public employees. Members often think of the political muscle needed to protect pension and health benefits, but take for granted the many other roles these organizations perform. Unfortunately, many of you are not members but really should consider joining an association of your choice.

Here is a benefit you may have taken for granted that Bob Herbert of the *New York Times* puts in perspective for you.

...it seems unreasonable to penalize an employee in good standing

who misses a day or two of work to care for a child who is ill, or who has been in a serious accident...Nearly half of all full-time private sector workers in the U.S. get no paid sick days...80 percent of the lowest quarter of U.S. wage centers get no paid sick days...145 countries have paid sick days and the U.S. is the only industrialized country lacking such a policy.

Paid sick days are a significant benefit; it is important to remind ourselves of these benefits and the importance of our teachers, support personnel, state employees and retiree organizations.

# Update

LONG-TERM-CARE POLICIES

In the May *Advisor*, a story by Charles Duhigg of the *New York Times* pointed out the many pitfalls of Long-Term-Care policies.

The RSA received an interesting letter from a member, who pointed out that she felt anger at her insurance company's "sneak attack." She felt it was "an ambush on those of us who bought in good faith."

She has paid \$20,762 in premiums since buying the policy in 2001. The insurance company raised her premiums last month by 30%, but the Alabama State Insurance Department, who does not set rates, was able to suggest a 20% rate increase to the insurance company. Her annual premium increased from \$3,460.38 to \$4,152.46. **(Editor's Note:** Be sure you know your insurance company's reputation on paying claims, and its history of raising premiums.)

# Trail Changes State

By Marty Roney, *Montgomery Advertiser*

It stretches from the Shoals in north Alabama to the Gulf Coast, and it's known for having some of the best public golf courses on the planet.

The Robert Trent Jones Trail offers 432 holes at 10 sites. Owned by the Retirement Systems of Alabama, the Trail has changed the way business is done in Alabama.

David Bronner, director of the state's pension fund, admits his plan was met with a healthy dose of skepticism when it was pitched in the late 1980s.

"People thought I was a little goofy," he said. "From Pennsylvania to the Dakotas, you have all this snowbird traffic. We needed a reason to get them to stop in Alabama, not just travel through on the way to Florida. The trail has also helped recruit industry and retirees to Alabama."

The bottom line is the bottom line, and a healthy state economy is good for RSA. The Trail is an investment of about \$200 million. That sounds like a wad of money, until you consider the fund manages more than \$30 billion.

Bronner is known for not doing any-

thing by half-measures. He lured Robert Trent Jones Sr. out of semi-retirement. One of the best-known golf course architects, Jones designed more than 500 courses around the world before the Alabama project.

When the first round of work began, there were 378 holes at seven sites under construction at the same time. It was one of the largest publicly funded construction projects in state history. There were more than 700 pieces of earth-moving equipment crawling over the properties, sculpting the courses. The courses opened at a good clip starting in 1992. Prattville's course, dubbed Capitol Hill, opened in 1998. About 82,000 rounds of golf will be played at Capitol Hill's three courses this year.

Trail-wide, about 550,000 rounds should be played, said John Cannon of Sunbelt Golf Corp., which manages the course for RSA. Capitol Hill is one of the trail's most popular stops, he said.

Along with offering top golfing destinations, the Trail has built premiere lodging facilities and restaurants at many courses.

The Marriott Legends at Capitol Hill, an RSA operation, drew Bill Hunter and his three golf buddies from Springfield, Ill.

"Prattville is perfect for us, located right in the middle of the state," he said. "We've made the trip to Prattville twice in three years. We can stay and play here and Greenville, Opelika, even Birmingham and Hoover are just a couple of hours away by Interstate. We haven't played Dothan yet. That's kind of a long trip from Prattville. It's something we could do on the next trip down."

One of the offshoots of the Trail has been the media coverage generated for the state. National golf magazines have praised the Trail. But with average greens fees of \$50, positive coverage also has appeared in the *New York Times*, *Wall Street Journal* and other mainstream print and broadcast media.

"One of the things I always tell leadership groups is good news stays at home and bad news travels," Bronner said. "The publicity the Trail has received has been overwhelmingly positive. It's not often Alabama gets good press."

# \$72,580 Raised for Enterprise



RICKY ADAMS - ENTERPRISE

**R**TJ golf professional Scott Neal at Capitol Hill in Prattville, Alabama, wanted to do something to help Enterprise after a deadly tornado hit the Enterprise schools on March 1.

Neal's idea was to select a weekend in which companies and individuals would

be encouraged to buy RTJ Trail cards, which offer significant discounts at the 24 golf courses, and then donate the proceeds to the school.

Obviously, it was a great idea for Enterprise and The Trail.

ENJOY YOUR SUMMER

## A Special Deal

FOR RSA MEMBERS

### The Battle House, A Renaissance Hotel – Mobile

**\$79** July 13-15, 17-19, 24, 29-31 • August 1, 5-8, 12-16, 19-31 • September 1-4, 9-15, 22-24, 28-30

### Riverview Plaza – Mobile

**\$69** July 1-8, 13-19, 22-24, 29 • August 1-2, 5-8, 12-31 • September 1-3, 10-17, 24-30

### Marriott Grand – Point Clear

**\$79** July 1 • August 12-16, 19-27 • September 2-4, 12-18, 26, 30

### Marriott Shoals – Florence

**\$69** July 31 • August 1-5, 12-16, 19-22 • September 8-13, 20-24, 28-30

### Renaissance Ross Bridge – Hoover

**\$79** July 1, 3-5, 15-16, 22 • August 5-9, 12-17, 19-21, 23, 26-30 • September 1-3, 9-13, 16-17

### Opelika Marriott

**\$69** July 1-5, 8-11, 15-18, 29-31 • August 5-15, 19-23, 26-29 • September 2-5, 9, 19-20, 23-24, 27, 30

### Prattville Marriott

**\$69** July 1-10, 13-20, 22-31 • August 1-11, 18-29 • September 2-5, 10-17, 21-23

*Book early because the rooms are limited at these special rates.*

*These rates are not applicable to groups or conventions.*

Code for hotels except Riverview: RABM, 800-228-9290 / Riverview: RABM, 866-749-6069



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Thanks For Supporting Alabama & RSA  
On Passage Of Amendments One & Two